

Message Text

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ACTION EB-08

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COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01
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INFO AMEMBASSY LONDON
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E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJ: UNCTAD: UN SUGAR CONFERENCE, GENEVA APRIL 18-MAY 17

FOLLOWING IS THE TEXT OF PROPOSAL FOR ISA OUTLINED BY CUBA
IN ECONOMIC COMMITTEE APRIL 28. TRANSLATION PROVIDED BY
CUBAN DELEGATION.

BEGIN TEXT:

1. TYPE OF AGREEMENT

AS IT HAS BEEN EXPRESSED REPEATEDLY BY THE MAJORITY OF
THE MEMBER COUNTRIES OF THE INTERNATIONAL SUGAR ORGANIZATION,
A NEW INTERNATIONAL SUGAR AGREEMENT SHOULD BE BASED IN AN
EXPORT QUOTA SYSTEM.

2. BASIC EXPORT TONNAGES

THIS SYSTEM OF EXPORT QUOTAS WILL BE BASED ON THE NEGOTIA-
TION OF BASIC EXPORT TONNAGES (BET'S), WHICH SHALL BE
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EXPRESSED IN QUANTITIES, NOT IN PROPORTIONS OR PERCENTAGES,
TAKING INTO ACCOUNT THE EXPORT PERFORMANCE, AND THE PRO-
DUCTION CAPACITY OF EACH COUNTRY.

THE BET'S SHOULD NOT BE NEGOTIATED FOR THE LIFE OF THE
AGREEMENT (5 YEARS) BECAUSE THIS IS A VERY LONG PERIOD FOR
A MARKET WITH THE CHARACTERISTIC OF THE SUGAR MARKET, WHICH

WILL NOT BE THE SAME SIZE IN 1978 AND IN 1982, DUE TO THE INCREASE IN DEMAND DURING THIS PERIOD.

THE BET'S WILL BE NEGOTIATED FOR THE FIRST TWO YEARS OF THE AGREEMENT AND AT THE BEGINNING OF THE THIRD YEAR RENEGOTIATED FOR THE REMAINDER OF IT. FOR THE RENEGOTIATION OF THE BET'S, AT THE BEGINNING OF THE THIRD YEAR, IT SHALL BE TAKEN INTO ACCOUNT, THE EXPORTS DURING THE FIRST TWO YEARS OF THE AGREEMENT, AND THE PRODUCTIVE CAPACITY OF THE COUNTRIES, INSTEAD OF PREDETERMINED FORMULAS.

USE OF FORMULAS IS A MECHANICAL PROCEDURE LIABLE TO SPRING SURPRISES ON THE EXPORTING COUNTRIES, FACING THE UNCERTAINTY OF THE QUANTITY THEY CAN EXPORT EACH YEAR. THIS BET'S WOULD BE EXPRESSED AS WELL, IN QUANTITIES, NOT IN PROPORTIONS.

3. ANNUAL EXPORT QUOTAS

BEFORE THE BEGINNING OF EACH QUOTA YEAR, THE COUNCIL SHALL DETERMINE ANNUAL EXPORT QUOTAS, BASED ON BET'S AND RELATED TO THE MARKET SITUATION.

4. PRICE LEVEL

A NEW AGREEMENT MUST CONSIDER A PRICE RANGE, IN WHICH THE MINIMUM PRICE COULD NOT ONLY GUARANTEE THE COSTS OF PRODUCTION, BUT ALSO PERMIT A REASONABLE MARGIN OF PROFITS.

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TAKING INTO CONSIDERATION THE CONSENSUS THAT SUCH RANGE SHALL BE WIDER THAN IT HAS BEEN IN PREVIOUS AGREEMENTS, THE MAXIMUM PRICE SHOULD BE 50 PERCENT TO 100 PERCENT HIGHER THAN THE MINIMUM PRICE. THE PRICE RANGE THAT WE PROPOSE WOULD HAVE A MINIMUM PRICE OF 15 AND MAXIMUM PRICE OF 25 US CENTS PER POUND.

5. QUOTAS AND PRICES MECHANISM

A) THE PRICE RANGE WILL HAVE A MIDDLE SECTOR WIDER THAN THE LOWER AND UPPER SECTORS, AND THE PROVISIONS OF THE AGREEMENT SHOULD TRY TO ENSURE THAT THE WORLD MARKET PRICE BE LOCATED IN THAT MIDDLE SECTOR.

B) WHEN THE PREVAILING PRICE IS WITHIN THE MIDDLE SECTOR, THE FOLLOWING MEASURES SHALL BE TAKEN:

I) IMPORTS FROM NON MEMBERS WILL BE LIMITED TO A

QUANTITY EQUAL TO THE AVERAGE IMPORTS FOR A PERIOD OF TIME TO BE DETERMINED;

II) THE COUNCIL MAY DECIDE WHETHER QUOTAS IN EFFECT SHOULD BE ESTABLISHED AT 100 PERCENT OF THE BET'S, OR SHALL REMAIN AT ITS THEN CURRENT LEVEL WHEN THE PREVAILING PRICE ENTERED INTO THE MIDDLE SECTOR; AND,

III) THE COUNCIL MAY DETERMINE IF SHORTFALLS COULD BE REDISTRIBUTED.

C) WHEN THE PREVAILING PRICE FALLS BELOW A, AND IS WITHIN THE LOWER SECTOR OF THE PRICE RANGE, THE FOLLOWING MEASURES SHALL BE TAKEN:

I) IMPORTS FROM NON MEMBERS SHALL BE PROHIBITED, AND THERE WILL BE NO REDISTRIBUTION OF SHORTFALLS, UNCLASSIFIED

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IF ANY;

II) QUOTAS WILL BE REDUCED UP TO 95 PERCENT OF THE BET'S, AND FURTHER ON TO 90 PERCENT OF THE BET'S.

THIS REDUCTION WILL BE APPLIED GRADUALLY EACH 10 MARKET DAYS, IF THE PREVAILING PRICE REMAINS AT THE SAME LEVEL OR FALLS BELOW.

D) IF THE PREVAILING PRICE FALLS BELOW THE MINIMUM PRICE IN SPITE OF THE MEASURES EXPLAINED ABOVE, QUOTAS SHALL BE REDUCED UP TO THE 85 PERCENT OF THE BET'S, IF THE COUNCIL DECIDES SO BY SIMPLE VOTE.

E. WHEN THE PREVAILING PRICE GOES ABOVE B, AND IS WITHIN THE UPPER SECTOR OF THE PRICE RANGE, THE FOLLOWING MEASURES SHALL BE TAKEN:

I) IMPORTS FROM NON MEMBERS WILL REMAIN LIMITED, SUCH AS THEY ARE IN THE MIDDLE SECTOR;

II) SHORTFALLS SHALL BE AUTOMATICALLY REDISTRIBUTED;

III) QUOTAS CAN BE INCREASED, FIRST, UP TO 105 PERCENT OF BET'S AND FURTHER ON TO 10 PERCENT.

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THE MEASURES EXPLAINED IN II), AND III) WILL BE TAKEN
GRADUALLY, EACH 15 MARKET DAYS, IF THE PREVAILING
PRICE REMAINS AT THE SAME LEVEL OR INCREASES.

F) IF THE PREVAILING PRICE GOES ABOVE THE MAXIMUM PRICE
OF THE RANGE, IN SPITE OF THE MEASURES EXPLAINED
ABOVE, THE FOLLOWING SHALL BE TAKEN:

I) QUOTAS WOULD BE SUSPENDED;

II) 50 PERCENT OF THE MINIMUM STOCKS SHALL BE RELEASED
FIRST AND LATER ON THE OTHER 50 PERCENT;

III) IMPORTS FROM NON MEMBERS WOULD NOT BE LIMITED.
EACH OF THIS MEASURES SHALL BE TAKEN GRADUALLY, EACH
15 MARKET DAYS IF THE PREVAILING PRICE REMAINS AT THE
SAME LEVEL OR INCREASES.

6. PRICE ADJUSTMENTS

PRICES ESTABLISHED IN THE AGREEMENT WILL BE AUTOMATICALLY
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ADJUSTED, EACH YEAR, ON THE BASIS OF THE INDEX OF UNIT
PRICES OF MANUFACTURES PUBLISHED BY THE UNITED NATIONS,
IN ORDER TO ENSURE THE REAL PURCHASING POWER OF SUGAR.
PRICES ESTABLISHED IN THE AGREEMENT WILL BE AUTOMATICALLY
ADJUSTED, WHENEVER VARIATIONS OCCUR IN THE EXCHANGE RATE

OF THE US DOLLAR, LIKEWISE.

7. PURCHASE AND SUPPLY COMMITMENTS

A NEW AGREEMENT SHALL ESTABLISH A PURCHASE COMMITMENT SUCH AS A SUPPLY COMMITMENT, IN EXTREME PRICE SITUATIONS FOR THE GUARANTY OF EXPORTERS AND IMPORTERS, WITH ENSURED MINIMUM AND MAXIMUM PRICES.

8. MINIMUM AND MAXIMUM STOCKS

WE ARE PREPARED TO HOLD MINIMUM STOCKS SUCH AS THE ONES ESTABLISHED IN THE 1968 AGREEMENT IN ORDER TO GUARANTY SUGAR SUPPLIES TO IMPORTING MEMBERS AND DEFEND THE MAXIMUM PRICE. LIMITS TO MAXIMUM STOCKS SHALL BE ESTABLISHED ALSO IN THE NEW AGREEMENT IN ORDER TO CONTRIBUTE TO THE CONTROL OF PRODUCTION.

THE ESTABLISHMENT OF ANY ADDITIONAL KIND OF STOCKS, WOULD BE A FINANCIAL BURDEN WHICH EXPORTING COUNTRIES COULD NOT ACCEPT.

9. IMPORTS FROM NON MEMBER COUNTRIES

THE IMPORTING MEMBERS SHOULD NOT IMPORT FROM EACH NON MEMBER, IN EVERY QUOTA-YEAR, QUANTITIES LARGER THAN THE AVERAGE IMPORTED FROM EACH OF THOSE COUNTRIES DURING THE PERIOD ADOPTED.

THE TOTAL IMPORTS FROM NON MEMBERS MADE BY EACH IMPORTING MEMBER, BY THE SAME WAY, SHALL NOT EXCEED THE AVERAGE OF UNCLASSIFIED

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ITS TOTAL IMPORTS FROM NON MEMBERS DURING THE SAME PERIOD OF TIME.

10. SPECIAL ARRANGEMENTS

THE SPECIAL ARRANGEMENTS, NOW IN FORCE, WOULD HAVE TO BE CONSIDERED AS AN INDISPENSABLE PART OF A NEW AGREEMENT, WHICH WILL ONLY REGULATE SUGAR EXPORTS TO THE FREE MARKET. THEREFORE, IT MUST NOT INCLUDE PROVISIONS INTENDING TO LIMIT EXPORTS BY CUBA TO THE OTHER SOCIALIST COUNTRIES.

11. ACCESS TO MARKETS

THE NEW AGREEMENT SHOULD INCLUDE EFFECTIVE COMPROMISES FROM DEVELOPED IMPORTING COUNTRIES, IN RELATION WITH:

A) INCREASES IN CONSUMPTION SHALL BE RESERVED FOR THE

IMPORTS FROM DEVELOPING EXPORTING MEMBERS.

B) TO ACCEPT MINIMUM IMPORTS OBLIGATIONS EXPRESSED IN
ACTUALLY IMPORTANT TONNAGES.

C) TO LIBERALIZE TARIFFS AND TAXATION MECHANISM WHICH
MAKE THE PRODUCT MORE EXPENSIVE, THUS RESTRAINING
CONSUMPTION.

D) NOT TO FAVOUR PRODUCTION OF SUGAR SUBSTITUTES.

E) NOT TO PROMOTE EXPANSION OF SUBSIDIZED PRODUCTION,
IN ORDER TO HAVE AVAILABILITIES TO EXPORT, DAMAGING
THOSE FROM DEVELOPING EXPORTING COUNTRIES.

12. SMALL EXPORTERS

A NEW AGREEMENT SHOULD CONSIDER SPECIAL TREATMENT TO
SMALL EXPORTERS, WHICH WILL FREE THEM FROM SOME OF THE
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PROVISIONS ESTABLISHED IN IT FOR ALL EXPORTING MEMBERS.

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